

**U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250**

DEPARTMENTAL REGULATION		NUMBER: 2230-001
SUBJECT: Reviews of Unliquidated Obligations	DATE: October 15, 2014	
	OPI: Office of the Chief Financial Officer	

<u>Section</u>	<u>Page</u>
1 Purpose	1
2 Special Instructions/Cancellations	1
3 Policy	2
4 Procedures	2
5 Responsibilities	4
6 Definitions	4
7 Records Retention	5
Appendix A	A-1
Appendix B	B-1

1. PURPOSE

This regulation prescribes policies and procedures for the review and certification of unliquidated obligations.

Reviews of unliquidated obligations are necessary to properly report obligation balances, certify the validity of obligated balances, make funds available that otherwise would not be used, reduce the risk of misuse and theft of funds, and improve the Treasury Department's ability to forecast outlay and borrowing needs.

2. SPECIAL INSTRUCTIONS/CANCELLATION

This regulation cancels and replaces Departmental Regulation 2230-001, dated April 21, 2009.

3. POLICY

- a. The optimum utilization of funds requires that all current and prior year obligations be continuously reviewed to ensure that obligated balances are not over or under stated and that the obligations are properly documented and reported.
- b. Reviews and certification of unliquidated obligations shall be made by each agency. Unliquidated obligations found to be unnecessary will be promptly adjusted. All adjusting transactions shall be properly documented and all documentation shall be retained for audit purposes.
- c. Agencies are required to certify quarterly that reviews and corrective actions related to unliquidated obligations inactive for at least 12 months were performed. Certifications are due 30 days after the end of the quarter.

PERIOD	CERTIFICATION DUE
October 1 – December 31	January 31
January 1 – March 31	April 30
April 1 – June 30	July 31
July 1 – September 30	October 31

- d. Obligations should be deobligated unless there is a documented bona-fide purpose for the obligation to remain open.

4. PROCEDURES

- a. Identification. Financial personnel will produce quarterly reports on unliquidated obligations from the financial management system for review.
- b. Notification. The agency Chief Financial Officer (CFO) or designated financial personnel will notify program and procurement personnel of unliquidated obligations selected for review in writing, and request a written notification of their validity. A standard form letter should be used for this purpose. (Appendix A provides an example.)
- c. Review of Obligations. Program and procurement personnel will review unliquidated obligations selected to determine whether delivery of goods or services or performance is expected to occur:
 - (1) Program and procurement personnel must consider, if applicable:
 - (a) The period of fund availability;
 - (b) The period of performance or delivery date;

- (c) The completeness and accuracy of information provided by contract, grant, or loan recipients
 - (d) Whether funds have been expended consistent with the percentage of completion;
 - (e) Whether remaining funds are sufficient to complete the order in accordance with the specifications or whether funds are no longer needed;
 - (f) Justifications for amendments to funding levels;
 - (g) Supplemental loans, grants, etc.;
 - (h) Reasons for lack of activity, such as litigation or delay in contract closeout;
 - (i) Any provisions of the grant, agreement or contract that may permit or prohibit deobligation or reprogramming; and
 - (j) Any other relevant factors, when making a determination.
- (2) Review, close out, and de-obligations should occur on an ongoing basis as determination(s) are made that obligation(s) can be adjusted or cancelled.
- d. Determination. The review should disclose unliquidated obligations:
- (1) That do not have a legal basis, or are not properly authorized and supported by appropriate documentation;
 - (2) Which have been completed and have not been closed out; and
 - (3) Under which no future expenditures are expected.
- Once a determination is made that an unliquidated obligation is no longer valid, program and/or procurement personnel will notify appropriate agency-designated personnel, in writing, within 5 days after the determination is made to process a deobligation.
- e. Deobligation. Appropriate agency-designated personnel will cancel or adjust the unliquidated obligations in the financial management system, based on the written notification from program and/or procurement personnel, within 15 days after receipt of the written notification. In situations where program and/or procurement personnel are canceling or adjusting the unliquidated obligations, a written notification stating that the deobligation was processed must be provided to the agency CFO or designated financial personnel. Copies of the supporting documentation should be retained according to the records retention in Section 7.

- f. Certification. The CFO, or equivalent, for each agency must submit a certification to the Office of the Chief Financial Officer (OCFO) - Associate Chief Financial Officer for Financial Operations (ACFO-FO) by the dates outlined in Section 3, Policy. Certifications are subject to examination by OCFO on a sample basis annually. The certification form can be found in Appendix B.

5. RESPONSIBILITIES

- a. The CFO, or equivalent, for each agency must
 - (1) Coordinate reviews and corrective actions related to unliquidated obligations between program, procurement, and financial personnel; and
 - (2) Provide the ACFO-FO a certification that the reviews were performed and unliquidated obligations are valid based on the reviews.
- b. Program and/or procurement personnel will determine if unliquidated obligations should be deobligated and provide a written notification to appropriate agency-designated personnel.
- c. Appropriate agency-designated personnel will deobligate unliquidated obligations for goods or services for which delivery or performance is not expected to occur, based on written notification from program and/or procurement personnel.
- d. The OCFO will
 - (1) Monitor agency compliance with this regulation;
 - (2) Work with agency CFO's to identify impediments to compliance and assist in developing and implementing corrective actions; and
 - (3) Provide analytical support to agencies to assist in early identification of invalid unliquidated obligations.
- e. It is a shared responsibility of all program, procurement, and financial managers with obligation authority to ensure that agency funds are obligated properly and managed effectively. This includes routine monitoring and timely adjustment of obligations for which the office is responsible. Supervisory officials should ensure that appropriate and timely execution of these responsibilities are reflected in the performance plans of all program, procurement, and financial managers with obligation authority and are assessed in formal performance evaluations.

6. DEFINITIONS

- a. Unliquidated Obligation. The balance remaining from the amount of orders placed; contracts or other binding agreements awarded; or services rendered after making any payments or processing deobligations. Unliquidated obligations consist of undelivered orders and accounts payable.
- b. Undelivered Order. An undelivered order is an obligation for goods that have not been received or services that have not been performed.
- c. Invalid Unliquidated Obligation. The portion of an obligated balance associated with undelivered orders that is not needed to pay for goods and services not yet received. This may be a balance remaining following final delivery of goods and services, a balance unneeded due to a reduction in vendor rates or quantities needed compared to the basis for the original estimate, the unearned portion of a grant or agreement once the period of performance has expired, the entire recorded obligation if the underlying transaction did not result in a valid obligation of the government, or similar reason.
- d. Deobligation. The cancellation, downward adjustment, or deletion of a previously recorded obligation. Such adjustments may be attributable to cancellation of a project or contract, price revisions, corrections of amounts previously recorded, or differences between obligations previously recorded and payments made.

7. RECORDS RETENTION

Records, reports, certifications and all other supporting documents relating to reviews of unliquidated obligations should be maintained, by the agency and the OCF O, for a period of 6 years and 3 months from the date the review was completed. However, records should not be destroyed if they are subject to litigation or other moratorium. Information related to records retention should be directed to the agency Records Officer.

-END-

APPENDIX A
Sample Review Letter

TO: Agency Program and Contracting Personnel

FROM: Agency Chief Financial Officer

SUBJECT: Review of Unliquidated Obligations

Departmental Regulation 2230-001, Review of Unliquidated Obligations, prescribes policies and procedures for the review and certification of unliquidated obligations (ULOs).

Attached is a list of ULOs that have been inactive for at least 12 months as of _____. Please review and determine the validity of these ULOs.

When performing this review, please consider the following, if applicable:

- (a) The period of fund availability;
- (b) The timeliness of delivery or performance;
- (c) The completeness and accuracy of information provided by grant or loan recipients;
- (d) Whether funds have been expended consistent with the percentage of completion;
- (e) Whether remaining funds are sufficient to complete the order in accordance with the specifications;
- (f) Justifications for amendments to funding levels;
- (g) Supplemental loans, grants, etc.;
- (h) Reasons for lack of activity, such as litigation or delay in contract closeout;
- (i) Any provisions of the agreement or contract that may permit or prohibit deobligation or reprogramming; and
- (j) Any other relevant factors, when making a determination.

Appendix A

Please notify us in writing by _____ of the results of your review so that we may take appropriate actions and provide our certification as to the validity of these ULOs to the Associate Chief Financial Officer for Financial Operations (ACFO-FO) by _____.

We appreciate your assistance in performing this review.

Attachment

Chief Financial Officer

Date

Attachments

APPENDIX B
Sample Certification

TO: Associate Chief Financial Officer for Financial Operations

FROM: Agency Chief Financial Officer

SUBJECT: Certification of Quarterly Review of Unliquidated Obligations

In accordance with Departmental Regulation 2230-001, Reviews of Unliquidated Obligations, I certify:

1. My office has provided a listing of all obligations with no activity for 12 months that were open as of MM/DD/YY, to all appropriate program and/or procurement personnel;
2. All appropriate program and/or procurement personnel have reviewed the underlying support for obligations to determine the validity of the obligations;
3. Obligations determined to no longer be valid have been deobligated or are in the process of being deobligated;
4. Certain obligations require more research before a determination can be made; and
5. All other obligations are valid and should remain open.

Category	Number	Amount
Deobligated		
Deobligation In Process		
Research Required		
Valid		
Total Obligations with No Activity for 12 Months		

Chief Financial Officer

Date